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EXAMINER	
HARBECK, TIMOTHY M	
ART UNIT	**PAPER NUMBER**
3628	

DATE MAILED: 05/18/2006

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary	Application No.	Applicant(s)	
	09/883,001	SUGAHARA, JAMES TAKESHI	
	Examiner	Art Unit	
	Timothy M. Harbeck	3628	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

1)☒ Responsive to communication(s) filed on *15 June 2001*.

2a)☐ This action is **FINAL**. 2b)☒ This action is non-final.

3)☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

4)☒ Claim(s) *1-56* is/are pending in the application.

4a) Of the above claim(s) _____ is/are withdrawn from consideration.

5)☐ Claim(s) _____ is/are allowed.

6)☒ Claim(s) *1-56* is/are rejected.

7)☐ Claim(s) _____ is/are objected to.

8)☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

9)☐ The specification is objected to by the Examiner.

10)☐ The drawing(s) filed on _____ is/are: a)☐ accepted or b)☐ objected to by the Examiner.

Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).

Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).

11)☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

12)☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).

a)☐ All b)☐ Some * c)☐ None of:

1.☐ Certified copies of the priority documents have been received.

2.☐ Certified copies of the priority documents have been received in Application No. _____.

3.☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

1) ☒ Notice of References Cited (PTO-892)
2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
3) ☒ Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08) Paper No(s)/Mail Date *5/24/2004*.
4) ☐ Interview Summary (PTO-413) Paper No(s)/Mail Date. _____ .
5) ☐ Notice of Informal Patent Application (PTO-152)
6) ☐ Other: _____.

DETAILED ACTION

Double Patenting

Claims 26, 42 and 45-56 are objected to under 37 CFR 1.75 as being a substantial duplicate of claims 14, 1 and 2-13 respectively. When two claims in an application are duplicates or else are so close in content that they both cover the same thing, despite a slight difference in wording, it is proper after allowing one claim to object to the other as being a substantial duplicate of the allowed claim. See MPEP § 706.03(k).

Claim Rejections - 35 USC § 101

35 U.S.C. 101 reads as follows:

> Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claims 14-41 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter. These claims are all directed to the arrangement of an agreement to perform certain transactions. However arranging a transaction or obligating parties to perform future events does not represent a useful, concrete and tangible result. An agreement is in the abstract as nothing has actually happened and there is no result, just the potential for a result. For a claim to be statutory it must be directed toward something tangible and not simply an abstract idea or thought.

Claim Rejections - 35 USC § 103

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

Claims 1-13 and 42-56 are rejected under 35 U.S.C. 103(a) as being unpatentable over Downes (John Downes. "Dictionary of Finance and Investment Terms." 1998. Barrons Educational Series, Inc, Fifth Edition, pgs 612-613) in view of Garber (US Pat 5,963,923).

Re Claim 1: Downes discloses a method for structuring a transaction comprising

- Paying interest by the first party to a second party (page 612)
- Paying a dividend equivalent by the second party to the first party (see "floating rate," page 613; dividend equivalent is essentially a floating interest rate based upon the stock price)

Downes does not explicitly disclose

- Selling a security into a market by a first party at a predetermined time;
- Periodically marking the security sold by the first party to market and
- Arranging an agreement between the second party and a third party, wherein the agreement provides to the third party short exposure to the security based upon the sale of the security by the first party.

Garber discloses a method for a principal market maker to facilitate a transaction of a centralized exchange traded contract by periodically marking the contract to market (Column 1, lines 64-65; Column 2 line 11 "Daily Adjustment"), and arranging an agreement between a second and third party wherein the agreement provides to the third party short exposure to the security based upon the sale of the security (See

Column 2, lines 18-30; "quick access to cash flows can be created by combining the CME's Rolling Spot Currencies with currency forwards to produce forward swap positions.") It would have been obvious to anyone of ordinary skill at the time of invention to include the teachings of Garber to Downes in order for a Principal Market Maker, such as the one described in Garber, to create a synthetic market for a particular security without ever taking ownership of said security and thereby exposing themselves to any currency transfer risk (See Garber Column 1, lines 58-65). In this manner the first party has an equivalent synthetic long position while the third party gains a synthetic short position with the market maker in between. This helps to eliminate many problems with the exchange problems discussed by Garber as well (Column 1 line 66-Column 2 line 17).

The current invention is essentially linking an interest rate swap with a synthetic short position in a security by means of a middle party. The Garber disclosure shows a similar procedure by combining the CME's Rolling Spot Currencies with currency forwards to produce forward swap positions (Column 2, lines 25-27). However while the references do not disclose wherein the linked trade involves a traded security the trading of securities was well known in the art at the time of invention and is a similar trading instrument as the "exchange traded contract" of Garber. One would be motivated to use a security in order to create a synthetic market related to the cash flows of that security when there are counterparties on the long and short side.

Re Claim 2: Downes in view of Garber discloses the claimed method supra but does not explicitly disclose wherein the predetermined time includes a predetermined

date. However it was well known in the art at the time of invention and would have been obvious to anyone of ordinary skill for a market maker to arrange these types of transactions at a predetermined date. One would be motivated to do this so that both "transactions" of the process can be arranged at about the same time to avoid any potential risk from natural market fluctuations that could occur.

Re Claim 3: Downes in view of Garber discloses the claimed method supra but does not explicitly disclose wherein the predetermined time includes a predetermined hour. However, in a similar fashion to claim 2, was well known in the art at the time of invention and would have been obvious to anyone of ordinary skill for a market maker to arrange these types of transactions at a predetermined time and more specifically a predetermined hour. In this way both sides of the agreement initiate simultaneously and the natural market risk is further reduced.

Re Claim 4: Downes in view of Garber discloses the claimed method supra but does not explicitly disclose wherein the first party retains the proceeds from the sale of the security. However it was well known in the art at the time of invention and would have been obvious to anyone of ordinary skill that a party who owns a security and then subsequently sells that security is entitled to the proceeds from the sale. If this were not the case there would not be any incentive to purchase the security in the first place or enter into any type of agreement where they would have to forfeit the capital that they initially invested.

Re Claim 5: Downes in view of Garber discloses the claimed method supra and while not disclosing the step wherein the interest is paid periodically using a period

selected from the group including daily, weekly, monthly, quarterly, semi-annually, annually and at the completion of the transaction, it is notoriously well known in the art at the time of invention and would have been obvious to anyone of ordinary skill for interest on a transaction to be paid at any of these intervals. In this way both parties have an expected positive or negative cash flow at a future time and interest is not randomly paid throughout the life of the agreement.

Re Claim 6: Downes in view of Garber discloses the claimed method supra but does not explicitly disclose wherein the dividend equivalent equals at least part of the value of any dividend paid on the security sold by the first party. However this is well known in the art at the time of invention and would have been obvious to anyone of ordinary skill because this is essentially the definition of a "dividend equivalent." In this transaction the first party, while not directly invested in the security has entered into this agreement with the expectation of cash flows that mime those of the underlying security. One such cash flow is the dividend on that security and therefore the first party would expect an equivalent cash flow that replaces what they would have earned had they not sold the security.

Re Claim 7: Downes in view of Garber discloses the claimed method supra but does not explicitly disclose wherein the dividend equivalent is paid periodically using a period selected from the group including daily, weekly, monthly, quarterly, semi-annually, annually and at or about the period which is correlated with the payment of the dividend. However it was well known in the art and would have been obvious to one of ordinary skill in the art at the time of invention to periodically pay the dividend equivalent

at time correlating to the actual dividend payment because the first party enters the agreement with the understanding that they will receive cash flows that replicate the expected cash flows of a shareholder of the security. If this was not the case and payments were not correlated then the payment would not be equivalent do the underlying security which is what the first party expects.

Re Claim 8: Downes in view of Garber discloses the claimed method supra and Garber further discloses the additional step of making a payment from the first party to the second party or from the second party to the first party, depending upon the price of the security at the time the security is marked to market (Column 1 line 66-Column 2 line 17; specifically "daily adjustment").

Re Claim 9: Downes in view of Garber discloses the claimed method supra but does not disclose wherein the marking is carried out in US dollars, however it was notoriously well known in the art and therefore would have been obvious to anyone of ordinary skill in the art at the time of invention to include this step because the US dollar is the standard currency of many markets and exchanges. Marking to market in the most common currency would eliminate any confusion in the process as well as any risk associated with currency fluctuations.

Re Claim 10: Downes in view of Garber discloses the claimed method supra and further discloses wherein the marking is carried out periodically using a period selected from the group including daily, weekly, monthly, quarterly, semi-annually, and annually (Column 2, line 11 "daily").

Re Claim 11: Downes in view of Garber discloses the claimed method supra and Garber further discloses wherein the security is selected from the group including at least one fixed income security, at least one warrant, at least one stock at least one option, at least one convertible bond, at least one non-convertible bond and at least one future (Column 2, lines 21-24 "centralized exchange traded contract").

Re Claim 12: Downes in view of Garber discloses the claimed method supra but does not explicitly disclose wherein the security is selected from the group including at least one security associated with a single stock issue, at leas one security associated with a basket of stocks formed of a plurality of stock issues and at least one security associated with a stock index. However it was well known for any given security to be associated with the aforementioned groups and for an individual to select a security based upon that association. Therefore it would have been obvious for a security to be selected from one of the groups in order to fulfill the investment purposes of the individual.

Re Claim 13: Downes in view of Garber discloses the claimed method supra but does not explicitly disclose wherein the first party has a long position in the security. However it was well known in the art that a person who owns a security is said to have a long position. In the immediate case then, it would have been inherent to anyone of ordinary skill that the first party has a long position in the security because they must own the security before they can sell it into a market.

Re Claims 42 and 45-56: These claims contain essentially the same limitations as previously rejected claims 1 and 2-13 and are rejected using the same art and

rationale. The sole difference is the step of arranging an agreement between a first and second party, however the fact that, in claim 1, there is an exchange between the first and second party inherently implies some type of arrangement. The interest and dividend equivalent would not just exchange hands without a prior agreement. Also see the double patenting objections above.

Re Claim 43: Downes in view of Garber discloses the claimed method supra but does not explicitly disclose wherein the first party is an institutional investor however it was notoriously well known for an institutional investor to maintain a long position in a security and therefore it would have been obvious to anyone of ordinary skill at the time of invention to include this step as an institutional investor would be a prime candidate to enter into such an agreement.

Re Claim 44: Downes in view of Garber discloses the claimed method supra but does not explicitly disclose wherein the third party is a hedge fund, however it was notoriously well known in the art at the time of invention for a hedge funds to acquire short positions as a means to maintain a certain level of risk in a particular security or industry. Therefore it would have been obvious to anyone of ordinary skill at the time of invention to include this step because hedge funds would be prime candidates to enter into such an agreement on the short side of the transaction.

<u>Claims 14-26, 30-32 and 39-41 are rejected under 35 U.S.C. 103(a) as being unpatentable over Garber</u>.

Re Claim 14: Garber discloses a method for a principal market maker to facilitate a transaction of a centralized exchange traded contract by arranging an agreement between a second and third party wherein the agreement provides to the third party short exposure to the security based upon the sale of the security (See Column 2, lines 18-30; "quick access to cash flows can be created by combining the CME's Rolling Spot Currencies with currency forwards to produce forward swap positions."). Garber does not explicitly disclose wherein this arrangement is based upon a subsequent agreement with a first party that requires the sale of a security into a market. However it was well known in the art at the time of invention and therefore would have been obvious to anyone of ordinary skill for a market maker to maintain arrangements with separate parties with different positions in the same security. The market maker, or second party in this instance, would have been motivated to do so in order to maintain the market in this particular security and also seamlessly transfer the risk associated with the transaction between the other parties. Furthermore requiring the parties to perform certain actions further limits potential counterparty risk in the transaction.

The current invention is essentially linking two parties with separate long and short positions through a middle party through a synthetic instrument. The Garber disclosure shows a similar procedure by combining the CME's Rolling Spot Currencies with currency forwards to produce forward swap positions (Column 2, lines 25-27). However while the references do not disclose wherein the linked trade involves a traded security the trading of securities was well known in the art at the time of invention and is

a similar trading instrument as the “exchange traded contract” of Garber. One would be motivated to use a security in order to create a synthetic market related to the cash flows of that security when there are counterparties on the long and short side.

Re Claim 15: Garber discloses the claimed method supra but does not explicitly disclose wherein the first party is an institutional investor however it was notoriously well known for an institutional investor to maintain a long position in a security and therefore it would have been obvious to anyone of ordinary skill at the time of invention to include this step as an institutional investor would be a prime candidate to enter into such an agreement.

Re Claim 16: Garber discloses the claimed method supra but does not explicitly disclose wherein the third party is a hedge fund, however it was notoriously well known in the art at the time of invention for a hedge funds to acquire short positions as a means to maintain a certain level of risk in a particular security or industry. Therefore it would have been obvious to anyone of ordinary skill at the time of invention to include this step because hedge funds would be prime candidates to enter into such an agreement on the short side of the transaction.

Re Claim 17: Garber discloses the claimed method supra but does not explicitly disclose wherein the predetermined time includes a predetermined date. However it was well known in the art at the time of invention and would have been obvious to anyone of ordinary skill for a market maker to arrange these types of transactions at a predetermined date. One would be motivated to do this so that both “transactions” of

the process can be arranged at about the same time to avoid any potential risk from natural market fluctuations that could occur.

Re Claim 18: Garber discloses the claimed method supra but does not explicitly disclose wherein the predetermined time includes a predetermined hour. However, in a similar fashion to claim 2, was well known in the art at the time of invention and would have been obvious to anyone of ordinary skill for a market maker to arrange these types of transactions at a predetermined time and more specifically a predetermined hour. In this way both sides of the agreement initiate simultaneously and the natural market risk is further reduced.

Re Claim 19: Garber discloses the claimed method supra but does not explicitly disclose wherein the first party retains the proceeds from the sale of the security. However it was well known in the art at the time of invention and would have been obvious to anyone of ordinary skill that a party who owns a security and then subsequently sells that security is entitled to the proceeds from the sale. If this were not the case there would not be any incentive to purchase the security in the first place or enter into any type of agreement where they would have to forfeit the capital that they initially invested.

Re Claim 20: Garber discloses the claimed method supra and Garber further discloses wherein the security is selected from the group including at least one fixed income security, at least one warrant, at least one stock at least one option, at least one convertible bond, at least one non-convertible bond and at least one future (Column 2, lines 21-24 "centralized exchange traded contract").

Re Claim 21: Garber discloses the claimed method supra but does not explicitly disclose wherein the security is selected from the group including at least one security associated with a single stock issue, at leas one security associated with a basket of stocks formed of a plurality of stock issues and at least one security associated with a stock index. However it was well known for any given security to be associated with the aforementioned groups and for an individual to select a security based upon that association. Therefore it would have been obvious for a security to be selected from one of the groups in order to fulfill the investment purposes of the individual.

Re Claim 22: Garber discloses the claimed method supra but does not explicitly disclose wherein the first party has a long position in the security. However it was well known in the art that a person who owns a security is said to have a long position. In the immediate case then, it would have been inherent to anyone of ordinary skill that the first party has a long position in the security because they must own the security before they can sell it into a market.

Re Claim 23: Garber discloses a method for a principal market maker to facilitate a transaction of a centralized exchange traded contract by arranging an agreement between a second and third party wherein the agreement provides to the third party short exposure to the security based upon the sale of the security (See Column 2, lines 18-30; "quick access to cash flows can be created by combining the CME's Rolling Spot Currencies with currency forwards to produce forward swap positions."). Garber does not explicitly disclose wherein this arrangement is based upon a subsequent agreement with a first party that requires the sale of a security into a

market. However it was well known in the art at the time of invention and therefore would have been obvious to anyone of ordinary skill for a market maker to maintain arrangements with separate parties with different positions in the same security. The market maker, or second party in this instance, would have been motivated to do so in order to maintain the market in this particular security and also seamlessly transfer the risk associated with the transaction between the other parties. Furthermore requiring the parties to perform certain actions further limits potential counterparty risk in the transaction.

The current invention is essentially linking two parties with separate long and short positions through a middle party through a synthetic instrument. The Garber disclosure shows a similar procedure by combining the CME's Rolling Spot Currencies with currency forwards to produce forward swap positions (Column 2, lines 25-27). However while the references do not disclose wherein the linked trade involves a traded security the trading of securities was well known in the art at the time of invention and is a similar trading instrument as the "exchange traded contract" of Garber. One would be motivated to use a security in order to create a synthetic market related to the cash flows of that security when there are counterparties on the long and short side.

Re Claim 24: Garber discloses the claimed method supra but does not explicitly disclose wherein the first party is an institutional investor however it was notoriously well known for an institutional investor to maintain a long position in a security and therefore it would have been obvious to anyone of ordinary skill at the time of invention to include

this step as an institutional investor would be a prime candidate to enter into such an agreement.

Re Claim 25: Garber discloses the claimed method supra but does not explicitly disclose wherein the third party is a hedge fund, however it was notoriously well known in the art at the time of invention for a hedge funds to acquire short positions as a means to maintain a certain level of risk in a particular security or industry. Therefore it would have been obvious to anyone of ordinary skill at the time of invention to include this step because hedge funds would be prime candidates to enter into such an agreement on the short side of the transaction.

Re Claim 26: This claim is an essential duplicate of claim of 14 and is rejected using the same art and rationale.

Re Claim 30: Garber discloses the claimed method supra but does not explicitly disclose wherein the predetermined time includes a predetermined date. However it was well known in the art at the time of invention and would have been obvious to anyone of ordinary skill for a market maker to arrange these types of transactions at a predetermined date. One would be motivated to do this so that both "transactions" of the process can be arranged at about the same time to avoid any potential risk from natural market fluctuations that could occur.

Re Claim 31: Garber discloses the claimed method supra but does not explicitly disclose wherein the predetermined time includes a predetermined hour. However, in a similar fashion to claim 2, was well known in the art at the time of invention and would have been obvious to anyone of ordinary skill for a market maker to arrange these types

of transactions at a predetermined time and more specifically a predetermined hour. In this way both sides of the agreement initiate simultaneously and the natural market risk is further reduced.

Re Claim 32: Garber discloses the claimed method supra but does not explicitly disclose wherein the first party retains the proceeds from the sale of the security. However it was well known in the art at the time of invention and would have been obvious to anyone of ordinary skill that a party who owns a security and then subsequently sells that security is entitled to the proceeds from the sale. If this were not the case there would not be any incentive to purchase the security in the first place or enter into any type of agreement where they would have to forfeit the capital that they initially invested.

Re Claim 39: Garber discloses the claimed method supra and Garber further discloses wherein the security is selected from the group including at least one fixed income security, at least one warrant, at least one stock at least one option, at least one convertible bond, at least one non-convertible bond and at least one future (Column 2, lines 21-24 "centralized exchange traded contract").

Re Claim 40: Garber discloses the claimed method supra but does not explicitly disclose wherein the security is selected from the group including at least one security associated with a single stock issue, at leas one security associated with a basket of stocks formed of a plurality of stock issues and at least one security associated with a stock index. However it was well known for any given security to be associated with the aforementioned groups and for an individual to select a security based upon that

association. Therefore it would have been obvious for a security to be selected from one of the groups in order to fulfill the investment purposes of the individual.

Re Claim 41: Garber discloses the claimed method supra but does not explicitly disclose wherein the first party has a long position in the security. However it was well known in the art that a person who owns a security is said to have a long position. In the immediate case then, it would have been inherent to anyone of ordinary skill that the first party has a long position in the security because they must own the security before they can sell it into a market.

<u>Claims 27-29 and 33-38 are rejected under 35 U.S.C. 103(a) as being unpatentable over Garber as applied to claim 23 above, and further in view of Downes</u>.

Re Claim 27-29: These claims in combination with the independent claim 23 contain essentially the same limitations as claim 1 rejected previously and can therefore be rejected using the same art and rationale. In fact each of these claims is broader than claim 1, meaning claim 1 contains additional limitations not found in these claims. Regardless the rejection of claim 1 can be applied to each of claims 27-29 since all the limitations have been shown previously.

Re Claim 33-38: These claims contain essentially the same limitations as claims 5-10 rejected previously and can therefore be rejected using the same art and rationale. In fact each of these claims is broader than respective claims 5-10, meaning the previously rejected claims contains additional limitations not found in these claims.

Regardless the rejections of the previous claims can be applied since all the limitations have been shown previously.

Conclusion

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Timothy M. Harbeck whose telephone number is 571-272-8123. The examiner can normally be reached on M-F 8:30-5:00.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Hyung S. Sough can be reached on 571-272-6799. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see http://pair-direct.uspto.gov. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).

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